



Gamagara Local Municipality
Annual Financial Statements
for the year ended June 30, 2017

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

General Information

Members of the council

Executive Mayor

Councillors

Hon. Cllr. D.P. Moyo

Cllr. O.E. Hantise

Cllr. M.F. Nqume

Cllr. A.J. Morwe

Cllr. G.J. Esau

Cllr. M.C. Skeiman

Cllr. H. du Plessis

Cllr. A. Booysen

Cllr. M.K. Orpen

Cllr. B.P. Lekgadi

Cllr. N.S. Magagane

Cllr. C.V. Joseph

Cllr. S.G. Moreeng

Grading of local authority

Grade 2

Chief Finance Officer (CFO)

N.M. Grond

Registered office

Civic Centre

Cnr Hendrik Van Eck & Frikkie Meyer Rd

Kathu

8446

Postal address

PO Box 1001

Kathu

8446

Bankers

First National Bank

Standard Bank

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

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The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Gamagara Local Municipality

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Approval of Financial Statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 85, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.



NM GROND
ACTING MUNICIPAL MANAGER
31 August 2017

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Certification of Remuneration of Councillors

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

NM GROND
ACTING MUNICIPAL MANAGER
31 August 2017

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	3	1,099,607	1,205,016
Receivables from exchange transactions	4	24,466,169	1,461,784
Receivables from non-exchange transactions	5	7,363,762	4,058,242
VAT receivable	6	-	1,671,605
Cash and Cash Equivalents	7	44,073,614	13,916,660
Operating lease asset	8	65,855	74,331
		77,069,007	22,387,638
Non-Current Assets			
Property, plant and equipment	9	913,224,940	946,172,703
Intangible assets	10	1,924,996	2,641,802
Investment property	11	209,870,120	213,468,234
Heritage assets	12	74,581	74,581
		1,125,094,637	1,162,357,320
Total Assets		1,202,163,644	1,184,744,958
Liabilities			
Current Liabilities			
Consumer deposits	13	4,455,026	5,727,186
Provisions	14	31,261,499	29,395,454
Payables from exchange transactions	15	131,088,647	87,416,797
Payables from non-exchange transactions	16	69,991,808	51,198,006
Other financial liabilities	17	11,132,922	7,451,639
Unspent conditional grants and receipts	18	37,523,775	17,737,594
Finance lease obligation	19	2,182,889	663,718
VAT payable	6	4,508,144	-
		292,144,710	199,590,394
Non-Current Liabilities			
Other financial liabilities	17	16,661,985	21,254,036
Finance lease obligation	19	4,737,443	2,299,429
Employee benefit obligation	20	43,456,648	45,313,588
		64,856,076	68,867,053
Total Liabilities		357,000,786	268,457,447
Net Assets		845,162,858	916,287,511
Accumulated surplus	21	845,162,858	916,287,511

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	28	219,973,940	218,563,047
Rental of facilities and equipment	29	944,592	1,293,842
Interest received	30	248,054	265,964
Agency services	25	2,395,271	2,597,835
Other income	31	3,357,226	1,489,667
Total revenue from exchange transactions		226,919,083	224,210,355
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	441,057,476	415,578,084
Licences and permits	24	517,374	538,313
Transfer revenue			
Government grants & subsidies	26	47,587,776	43,335,940
Public contributions and donations	27	45,954,082	927,801
Fines, Penalties and Forfeits	23	383,992	683,189
Total revenue from non-exchange transactions		535,500,700	461,063,327
Total revenue		762,419,783	685,273,682
Expenditure			
Employee related costs	32	(118,738,026)	(120,964,641)
Remuneration of councillors	33	(3,540,283)	(2,931,554)
Depreciation and amortisation	34	(54,060,292)	(62,313,450)
Impairment loss	35	(434,576,240)	(402,262,758)
Finance costs	37	(10,952,965)	(4,880,454)
Repairs and maintenance	36	(15,211,545)	(13,578,449)
Bulk purchases	38	(115,923,100)	(99,582,381)
Contracted services	39	(8,588,283)	(18,186,292)
Transfers and Subsidies	40	(2,253,913)	(2,343,317)
General Expenses	41	(65,660,826)	(58,168,434)
Total expenditure		(829,505,473)	(785,211,730)
Operating deficit		(67,085,690)	(99,938,048)
Loss on disposal of assets and liabilities	42	(440,847)	(156,569)
Fair value adjustments	58	(3,598,114)	23,608,448
		(4,038,961)	23,451,879
Deficit for the year		(71,124,651)	(76,486,169)

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Changes in Net Assets

Figures in Rand	Notes(s)	Accumulated surplus	Total net assets
Opening balance as previously reported		973,717,048	973,717,048
Adjustments			
Correction of errors	57	19,056,632	19,056,632
Balance at July 1, 2015 as restated		992,773,680	992,773,680
Deficit for the year as previously reported		(72,548,953)	(72,548,953)
Correction of errors	57	(3,937,216)	(3,937,216)
Total changes		(76,486,169)	(76,486,169)
Balance at July 1, 2016		916,287,509	916,287,509
Changes in net assets			
Surplus for the year		(71,124,651)	(71,124,651)
Total changes		(71,124,651)	(71,124,651)
Balance at June 30, 2017		845,162,858	845,162,858

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Property rates		59,220,423	56,591,917
Service charges		194,536,493	184,875,793
Grants		67,373,957	59,541,329
Interest income		248,055	265,964
Other receipts		7,606,932	6,623,693
Public Contributions and Donations	27	7,960,442	927,801
		336,946,302	308,826,497
Payments			
Employee costs		(115,520,665)	(108,454,683)
Suppliers		(151,350,255)	(98,622,583)
Finance Costs		(6,104,894)	(3,179,998)
Remuneration of Councillors		(3,540,282)	(2,931,555)
		(276,516,096)	(213,188,819)
Net cash flows from operating activities	43	60,430,206	95,637,678
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(25,681,807)	(62,046,268)
Proceeds from sale of property, plant and equipment	9	532,207	553,784
Purchase of other intangible assets	10	(124,185)	(177,155)
Net cash flows from investing activities		(25,273,785)	(61,669,639)
Cash flows from financing activities			
Repayment of Borrowings		(910,769)	(532,300)
Finance lease payments		(4,088,698)	(501,917)
Net cash flows from financing activities		(4,999,467)	(1,034,217)
Net increase/(decrease) in cash and cash equivalents		30,156,954	32,933,822
Cash and cash equivalents at the beginning of the year		13,916,660	(19,017,162)
Cash and cash equivalents at the end of the year	7	44,073,614	13,916,660

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	306,042,124	-	306,042,124	219,973,940	(86,068,184)	Note 56
Rental of facilities and equipment	729,890	-	729,890	944,592	214,702	Note 56
Interest received	450,000	-	450,000	248,054	(201,946)	Note 56
Agency services	2,455,806	-	2,455,806	2,395,271	(60,535)	Below 10%
Other income	3,260,019	18,817,687	22,077,706	3,357,226	(18,720,480)	Note 56
Total revenue from exchange transactions	312,937,839	18,817,687	331,755,526	226,919,083	(104,836,443)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	281,254,278	(227,768,309)	53,485,969	441,057,476	387,571,507	Note 56
Licences or permits	500,000	-	500,000	517,374	17,374	Below 10%

Transfer revenue

Government grants & subsidies	73,895,000	(3,009,397)	70,885,603	47,587,776	(23,297,827)	Note 56
Public contributions and donations	53,648,745	(52,131,563)	1,517,182	45,954,082	44,436,900	Note 56
Fines, Penalties and Forfeits	606,666	-	606,666	383,992	(222,674)	Note 56

Total revenue from non-exchange transactions	409,904,689	(282,909,269)	126,995,420	535,500,700	408,505,280	
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Total revenue	722,842,528	(264,091,582)	458,750,946	762,419,783	303,668,837	
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Expenditure

Personnel	(143,567,994)	17,632,878	(125,935,116)	(118,738,026)	7,197,090	Below 10%
Remuneration of councillors	(3,547,876)	(930,090)	(4,477,966)	(3,540,283)	937,683	Note 56
Depreciation and amortisation	(66,635,371)	43,635,371	(23,000,000)	(54,060,292)	(31,060,292)	Note 56
Impairment loss/ Reversal of impairments	(61,502,815)	-	(61,502,815)	(434,576,240)	(373,073,425)	Note 56
Finance costs	(5,044,037)	(3,956,469)	(9,000,506)	(10,952,965)	(1,952,459)	Note 56
Repairs and maintenance	(20,891,310)	6,299,200	(14,592,110)	(15,211,545)	(619,435)	Below 10%
Bulk purchases	(133,685,881)	-	(133,685,881)	(115,923,100)	17,762,781	Note 56
Contracted Services	(24,972,219)	(709,379)	(25,681,598)	(8,588,283)	17,093,315	Note 56
Transfers and Subsidies	-	-	-	(2,253,913)	(2,253,913)	Note 56
General Expenses	(69,151,000)	2,187,278	(66,963,722)	(65,660,826)	1,302,896	Below 10%

Total expenditure	(528,998,503)	64,158,789	(464,839,714)	(829,505,473)	(364,665,759)	
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Operating deficit	193,844,025	(199,932,793)	(6,088,768)	(67,085,690)	(60,996,922)	
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Loss on disposal of assets and liabilities	-	1,978,760	1,978,760	(440,847)	(2,419,607)	Note 56
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Fair value adjustments	-	-	-	(3,598,114)	(3,598,114)	Note 56
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	-	1,978,760	1,978,760	(4,038,961)	(6,017,721)	
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Deficit before taxation	193,844,025	(197,954,033)	(4,110,008)	(71,124,651)	(67,014,643)	
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Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	193,844,025	(197,954,033)	(4,110,008)	(71,124,651)	(67,014,643)	

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	1,000,000	-	1,000,000	1,099,607	99,607	
Operating lease asset	-	-	-	65,855	65,855	
Receivables from non-exchange transactions	10,000,000	-	10,000,000	7,363,762	(2,636,238)	
Receivables from exchange transactions	390,000,000	-	390,000,000	24,466,169	(365,533,831)	
Cash and Cash Equivalents	1,900	-	1,900	44,073,614	44,071,714	
	401,001,900	-	401,001,900	77,069,007	(323,932,893)	

Non-Current Assets

Investment property	160,000,000	-	160,000,000	209,870,120	49,870,120	
Property, plant and equipment	950,000,000	-	950,000,000	913,224,941	(36,775,059)	
Intangible assets	4,000,000	-	4,000,000	1,924,996	(2,075,004)	
Heritage assets	-	-	-	74,581	74,581	
	1,114,000,000	-	1,114,000,000	1,125,094,638	11,094,638	

Total Assets	1,515,001,900	-	1,515,001,900	1,202,163,645	(312,838,255)	
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Liabilities

Current Liabilities

Other financial liabilities	-	-	-	11,132,922	11,132,922	
Finance lease obligation	3,200,000	-	3,200,000	2,182,889	(1,017,111)	
Payables from exchange transactions	10,500,000	-	10,500,000	131,088,647	120,588,647	
Payables from non-exchange transactions	-	-	-	69,991,808	69,991,808	
VAT payable	-	-	-	4,508,144	4,508,144	
Consumer deposits	5,000,000	-	5,000,000	4,455,026	(544,974)	
Unspent conditional grants and receipts	-	-	-	37,523,775	37,523,775	
Provisions	-	-	-	31,261,499	31,261,499	
	18,700,000	-	18,700,000	292,144,710	273,444,710	

Non-Current Liabilities

Other financial liabilities	17,000,000	-	17,000,000	16,661,985	(338,015)	
Finance lease obligation	4,000,000	-	4,000,000	4,737,443	737,443	
Employee benefit obligation	42,000,000	-	42,000,000	43,456,648	1,456,648	
	63,000,000	-	63,000,000	64,856,076	1,856,076	

Total Liabilities	81,700,000	-	81,700,000	357,000,786	275,300,786	
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Net Assets	1,433,301,900	-	1,433,301,900	845,162,859	(588,139,041)	
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Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,433,301,900		- 1,433,301,900	845,162,859	(588,139,041)	

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	267,191,564	(216,379,893)	50,811,671	59,220,423	8,408,752	
Service charges	290,740,017	(72,971,484)	217,768,533	194,536,493	(23,232,040)	
Grants	73,895,000	(3,009,397)	70,885,603	67,373,957	(3,511,646)	
Interest income	450,000	-	450,000	248,055	(201,945)	
Other receipts	7,359,047	-	7,359,047	7,606,932	247,885	
Public contributions and donations	-	-	-	7,960,442	7,960,442	
	639,635,628	(292,360,774)	347,274,854	336,946,302	(10,328,552)	
Payments						
Employee costs	(143,567,994)	17,632,878	(125,935,116)	(115,520,665)	10,414,451	
Suppliers	(248,700,409)	3,820,540	(244,879,869)	(151,350,255)	93,529,614	
Finance costs	(5,044,037)	(3,956,469)	(9,000,506)	(6,104,894)	2,895,612	
Remuneration of Councillors	(3,547,876)	(930,000)	(4,477,876)	(3,540,282)	937,594	
	(400,860,316)	16,566,949	(384,293,367)	(276,516,096)	107,777,271	
Net cash flows from operating activities	238,775,312	(275,793,825)	(37,018,513)	60,430,206	97,448,719	
Cash flows from investing activities						
Purchase of property, plant and equipment	(231,075,219)	162,600,974	(68,474,245)	(25,681,807)	42,792,438	
Proceeds from sale of property, plant and equipment	53,648,745	(52,131,563)	1,517,182	532,207	(984,975)	
Purchase of other intangible assets	-	-	-	(124,185)	(124,185)	
Net cash flows from investing activities	(177,426,474)	110,469,411	(66,957,063)	(25,273,785)	41,683,278	
Cash flows from financing activities						
Repayment of borrowings	-	-	-	(910,769)	(910,769)	
Finance lease payments	-	-	-	(4,088,698)	(4,088,698)	
Net cash flows from financing activities	-	-	-	(4,999,467)	(4,999,467)	
Net increase/(decrease) in cash and cash equivalents	61,348,838	(165,324,414)	(103,975,576)	30,156,954	134,132,530	
Cash and cash equivalents at the beginning of the year	(20,043,692)	33,114,493	13,070,801	13,916,660	845,859	
Cash and cash equivalents at the end of the year	41,305,146	(132,209,921)	(90,904,775)	44,073,614	134,978,389	
Reconciliation						

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1. Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

1.1 Changes in accounting policy and comparability

Accounting policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances:

- if it is required by a standard of GRAP.
- when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical judgements, estimations and assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue recognition

Accounting Policy 1.13 on revenue from exchange transactions and Accounting Policy 1.14 on revenue from non-exchange transactions, describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 1.10 on financial instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial instruments .

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.2 Critical judgements, estimations and assumptions (continued)

1.2.3 Impairment of financial assets

Accounting Policy 1.9 on impairment of assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on managements assesment of financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables is disclosed in note 4 and 5 to the Annual Financial Statements.

1.2.4 Useful lives of property, plant and equipment, intangible assets and investment property

As described in accounting policies 1.6 and 1.7 the municipality depreciates its property, plant and equipment and amortises it's intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of property, plant and equipment, investment property, intangible assets, heritage assets and inventories

Accounting policy 1.9 on impairment of assets and accounting policy 1.11 on Inventory (subsequent measurement) describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of inventories to the lowest of cost and net realisable values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-cash generating assets and GRAP 26: Impairment of cash generating assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the net realisable value for inventories involves significant judgment by management.

1.2.6 Water inventory

The estimation of the water stock in the reservoirs is based on actual dip readings, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

1.2.7 Defined benefit plan liabilities

As described in Accounting Policy 1.16, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 to the Annual Financial Statements.

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Accounting Policies

1.2 Critical judgements, estimations and assumptions (continued)

1.2.8 Provisions and contingent liabilities

Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability. The calculation was based on cost to close and rehabilitate the site within 12 months.

1.2.9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the Annual Financial Statements.

1.3 Presentation currency

These Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the functional currency of the municipality.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Property, plant and equipment

1.6.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Gamagara Local Municipality

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1.6 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

1.6.2 Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

1.6.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Years
Infrastructure		
Electricity	Straight line	3 -55
Roads and paving	Straight line	3 - 100
Sanitation	Straight line	7 - 55
Sewerage	Straight line	7 - 100
Water	Straight line	5 - 100
Community		
Community facilities	Straight line	5 - 60
Recreational facilities	Straight line	10 - 60
Buildings		
Improvements	Straight line	5 - 100
Other		
Bins and containers	Straight line	5 - 15
Computer equipment	Straight line	3 - 10
Emergency equipment	Straight line	3 - 10
Furniture and fittings	Straight line	3 - 15
Motor vehicles	Straight line	4 - 15

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1.6 Property, plant and equipment (continued)

Office equipment	Straight line	3 - 15
Plant and equipment	Straight line	2 - 15
Specialised vehicles	Straight line	10 - 20
Other assets	Straight line	25 - 30

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the Cash Flow Statement.

1.6.4 Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.6.5 Finance leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.6.6 Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.6.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

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1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 5 years

1.8 Investment property

1.8.1 Initial recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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Accounting Policies

1.8 Investment property (continued)

- use in the production or supply of goods or services.
- administrative purposes.
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.8.2 Subsequent measurement - fair value model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

1.8.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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Accounting Policies

1.9 Impairment of assets

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

1.9.1 Impairment of cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets included in the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1.9.2 Impairment of non-cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

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An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1.10 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Accounting Policies

1.10 Financial instruments (continued)

Financial asset - classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the three categories allowed by this standard:

- financial asset at fair value
- financial asset amortised cost
- financial asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of financial asset

Short term investment and call deposits
Bank balances and cash
Receivables from exchange transactions
Receivables from non-exchange transactions
Investments in fixed deposits

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities - classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of financial liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- financial liabilities measured at fair value
- financial liabilities measured at amortised cost
- financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position:

Type of financial liabilities

Long term liabilities
Creditors
Bank overdraft
Current portion of long term liabilities
Consumer deposits

Classification in terms of GRAP 104

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at fair value

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Gamagara Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Initial and subsequent measurement

Financial assets

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding value added taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial liabilities

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable from exchange & non-exchange transactions encompasses consumer debtors and other debtors.

Initially accounts receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the provision for bad debt account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the provision for bad debt account is recognised in the Statement of Financial Performance.

Gamagara Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.11 Inventories

Initial recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Gamagara Local Municipality

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Accounting Policies

1.11 Inventories (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Service charge

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of goods (including houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Provisions

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.15 Provisions (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Site restoration (landfill site)

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Neither one of the two Landfill sites are registered as official sites as they are operated without a permit. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability as at 30 June 2017. The calculation was based on cost to close and rehabilitate the site within 12 months after year end.

1.16 Employee benefits

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Provincially-administered defined benefit plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to note 51 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The entity contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.17 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Lease classification

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The municipality as lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.18 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.19 Value added tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.23 Changes in accounting policies, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors are applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.24 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Comparative figures

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.27 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefit

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.28 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.29 Capital commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

1.30 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.31 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Jul-16 to 30-Jun-17.

The budget for the economic entity includes all the entities approved budgets under its control.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Accounting Policies

1.31 Budget information (continued)

The Annual Financial Statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Comparative information is not required.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 17 (as amended 2016): Property, Plant and EquipmentGRAP 16 (as amended 2016): Investment Property	<ul style="list-style-type: none">01 July 201601 July 2016	<ul style="list-style-type: none">Unlikely there will be a material impact.Unlikely there will be a material impact.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 109: Accounting by Principals and AgentsGRAP 108: Statutory ReceivablesGRAP 32: Service Concession Arrangements: GrantorIGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an AssetDirective 12: The Selection of an Appropriate Reporting Framework by Public EntitiesGRAP 18: Segment Reporting	<ul style="list-style-type: none">No effective dateNo effective dateNo effective dateNo effective dateNo effective dateNo effective date	<ul style="list-style-type: none">Unlikely there will be a material impact.Unlikely there will be a material impact.Unlikely there will be a material impact.Unlikely there will be a material impact.Unlikely there will be a material impact.Unlikely there will be a material impact.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
3. Inventories		
Consumable stores	351,521	32,999
Fuel (Diesel, Petrol)	220,887	759,894
Water	527,199	412,123
Total Inventories	1,099,607	1,205,016

The cost of water production for the year amounted to R14.35 per kilolitre (2016: R11.20 per kilolitre). Raw water purchased from Sishen Iron Ore amounts to 6c per kilolitre.

The cost of fuel and consumables recognised as an expense during the year amounted to R4 620 993 (2015: R3 163 535).

No Inventories have been pledged as collateral for Liabilities of the municipality.

4. Receivables from exchange transactions

Gross balances		
Electricity	50,560,101	46,387,306
Water	71,679,543	58,006,944
Sewerage	23,738,468	14,436,985
Refuse	27,027,785	22,546,232
Other	3,039,879	3,032,195
	176,045,776	144,409,662
Less: Provision for impairment		
Electricity	(35,127,751)	(45,916,749)
Water	(67,148,933)	(57,413,675)
Sewerage	(20,965,256)	(14,287,191)
Refuse	(26,110,905)	(22,318,885)
Other	(2,226,760)	(3,011,378)
	(151,579,605)	(142,947,878)
Net balance		
Electricity	15,432,349	470,557
Water	4,530,609	593,269
Sewerage	2,773,212	149,794
Refuse	916,880	227,347
Other	813,119	20,817
	24,466,169	1,461,784

Receivables from exchange transactions are billed monthly, latest end of month. No interest is charged on receivables as per the municipality's credit control policy.

At 30 June 2017, the municipality is owed R5 715 864 (30 June 2016: R1 461 785) by National and Provincial Government.

The municipality did not pledge any of its receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

The fair value of receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and receivables as well as the current payment ratios of the municipality's receivables.

Receivables from exchange transactions have been restated to account for corrections of prior year balances. Refer to Note 57 on "Correction of Error" for details of the restatement.

4.1 Ageing of receivables from exchange transactions (net balances)

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
4. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	4,193,676	470,557
31 - 60 days	3,516,913	-
61 - 90 days	2,014,025	-
> 90 days	5,707,735	-
	15,432,349	470,557
Water		
Current (0 -30 days)	1,153,813	593,269
31 - 60 days	509,863	-
61 - 90 days	335,603	-
> 90 days	2,531,330	-
	4,530,609	593,269
Sewerage		
Current (0 -30 days)	988,865	149,794
31 - 60 days	576,485	-
61 - 90 days	253,526	-
> 90 days	954,336	-
	2,773,212	149,794
Refuse		
Current (0 -30 days)	552,817	227,347
31 - 60 days	189,492	-
61 - 90 days	54,796	-
> 90 days	119,775	-
	916,880	227,347
Other (specify)		
Current (0 -30 days)	727,240	20,817
31 - 60 days	12,983	-
61 - 90 days	8,857	-
> 90 days	64,039	-
	813,119	20,817

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
4. Receivables from exchange transactions (continued)		
4.2 Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	12,722,167	11,750,655
31 - 60 days	7,232,085	9,711,195
61 - 90 days	5,618,451	7,873,266
> 90 days	123,853,636	97,822,935
	149,426,339	127,158,051
Less: Allowance for impairment	(138,741,413)	(127,158,051)
	10,684,926	-
Industrial/ commercial		
Current (0 -30 days)	4,329,829	3,228,322
31 - 60 days	3,455,438	2,069,085
61 - 90 days	1,325,278	2,851,595
> 90 days	11,793,027	4,831,041
	20,903,572	12,980,043
Less: Provision for impairment	(12,838,194)	(12,980,043)
	8,065,378	-
National and provincial government		
Current (0 -30 days)	320,105	498,285
31 - 60 days	287,016	341,490
61 - 90 days	182,662	305,817
> 90 days	4,926,081	316,193
	5,715,864	1,461,785
Total		
Current (0 -30 days)	17,372,100	15,477,262
31 - 60 days	10,974,539	12,121,770
61 - 90 days	7,126,391	11,030,677
> 90 days	140,572,745	105,779,955
	176,045,775	144,409,664
Less: Provision for impairment	(151,579,606)	(142,947,879)
	24,466,169	1,461,785
Less: Provision for impairment		
Current (0 -30 days)	(9,755,689)	(120,758)
31 - 60 days	(6,168,802)	(190,567)
61 - 90 days	(4,459,584)	(289,883)
> 90 days	(131,195,532)	(142,346,671)
	(151,579,607)	(142,947,879)

4.3 Reconciliation of the provision for impairment

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
4. Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment		
Balance at beginning of the year	142,947,879	99,671,869
Contributions to allowance	8,631,727	43,276,010
	151,579,606	142,947,879

Management assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. No further credit provision is required in excess of the provision for impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of consumer deposits / guarantees, which are not covering the total outstanding debt and vacant property respectively.

4.4 Derecognition of financial assets

No Financial Assets have been transferred to other parties during the year.

5. Receivables from non-exchange transactions

Assessment rates debtors - Gross	1,088,281,515	707,040,399
Assessment rates debtors - Provision for impairment	(1,083,700,429)	(705,783,751)
Sundry deposits	118,659	137,577
Suspense accounts	2,664,017	2,664,017
	7,363,762	4,058,242

The new valuation roll was implemented with effect from 1 July 2014. The valuation of particularly mining properties increased significantly due to the sale of mining land, which raised the benchmark pricing of all properties. As a result of this adjustment the rates billed increased and causes the outstanding receivables to be at a high level.

The municipality does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the municipality's financial liabilities.

Receivables from non-exchange transactions have been restated to account for corrections of prior year balances. Refer to Note 57 on "Correction of Error" for details of the restatement.

5.1 Ageing of receivables from non-exchange transactions

Assessment rates debtors - Gross

Current (0 -30 days)	19,605,320	18,961,024
31 - 60 days	17,431,933	16,779,263
61 - 90 days	16,794,193	15,996,845
> 90 days	1,034,450,069	655,303,267
	1,088,281,515	707,040,399

Assessment rates debtors - Provision for impairment

Current (0 -30 days)	(17,796,956)	(17,704,376)
31 - 60 days	(16,672,873)	(16,779,263)
61 - 90 days	(16,432,979)	(15,996,845)
> 90 days	(1,032,797,621)	(655,303,267)
	(1,083,700,429)	(705,783,751)

Sundry deposits

> 90 days	118,659	137,577
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Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Suspense accounts		
> 90 days	2,664,017	2,664,017
5.2 Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	3,783,606	2,959,516
31 - 60 days	1,753,104	2,125,336
61 - 90 days	1,197,020	1,379,119
> 90 days	25,179,370	19,554,273
	31,913,100	26,018,244
Less: Provision for impairment	(28,843,479)	(26,001,038)
	3,069,621	17,206
Industrial/ commercial		
Current (0 -30 days)	15,784,592	15,962,666
31 - 60 days	15,641,708	14,615,084
61 - 90 days	15,560,052	1,457,213
> 90 days	1,008,148,665	648,197,488
	1,055,135,017	680,232,451
Less: Provision for impairment	(1,054,856,950)	(679,782,712)
	278,067	449,739
National and provincial government		
Current (0 -30 days)	37,121	38,842
31 - 60 days	37,121	38,843
61 - 90 days	37,121	38,513
> 90 days	1,122,035	673,505
	1,233,398	789,703
Total		
Current (0 -30 days)	19,605,319	18,961,024
31 - 60 days	17,431,933	16,779,263
61 - 90 days	16,794,193	2,874,845
> 90 days	1,034,450,070	668,425,266
Suspense Accounts	2,782,676	2,801,594
	1,091,064,191	709,841,992
Less: Provision for impairment	(1,083,700,429)	(705,783,750)
	7,363,762	4,058,242
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	705,783,750	346,797,002
Provision for impairment	378,512,616	358,986,748
Amounts written off as uncollectible	(595,937)	-
	1,083,700,429	705,783,750

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a rates assessment debtor and receivables from non-exchange transactions, the municipality considers any change in the credit quality of the rates assessment debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the provision for impairment.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

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No provision for impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of rates assessment deposits / guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no provision for impairment was calculated on receivables other than assessment rates debtors as the management is of the opinion that all receivables are recoverable within normal credit terms.

6. VAT

VAT receivable	-	1,671,605
VAT (payable)	(4,508,144)	-
	(4,508,144)	1,671,605

The municipality is registered on the payment basis for VAT purposes. Only once payment is received from debtors or payment is made to creditors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. Cash and Cash Equivalents

Cash floats	1,600	1,600
Bank balances	43,838,358	13,687,273
Call deposits	233,656	227,787
	44,073,614	13,916,660

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents have been restated. Refer to Note 57 on "Correction of Error" for details of the restatement.

7.1 Current Deposits

Short-term deposits	233,656	227,787
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Call Deposits are investments with a maturity period of less than 3 months and earn interest at rates varying from 1.2% to 7.5% per annum.

7.2 Bank Accounts

The Municipality has the following bank account:

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
First National Bank Account Number - 53668 006 069	2,933,265	12,888,854	6,177,266	41,667,306	13,687,273	(27,239,699)
Standard Bank Account Type - 230045685	2,171,052	-	-	2,171,052	-	-
Total	5,104,317	12,888,854	6,177,266	43,838,358	13,687,273	(27,239,699)

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

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Figures in Rand	2017	2016
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7. Consumer debtors disclosure (continued)

7.3 Cash floats

Cash floats and advances	1,600	1,600
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The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

The management of the municipality is of the opinion that the carrying value of current deposits, bank balances, cash and cash equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of current deposits, bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

8. Operating Lease Receivables

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	74,331	95,178
Operating Lease Revenue recorded	78,264	176,639
Operating Lease Revenue effected	(86,740)	(197,486)
	65,855	74,331

8.1 Leasing arrangements

The municipality as lessor:

Operating leases relate to property owned by the municipality with lease terms of between 1 to 10 (2016: 1 to 10) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

8.2 Amounts receivable under operating leases

At the Reporting Date the following minimum lease payments were receivable under non-cancellable operating leases for property, plant and equipment, which are receivable as follows:

Up to 1 year	93,952	86,740
2 to 5 years	211,453	261,637
More than 5 years	7,575	51,343
	312,980	399,720

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R8 476 (2016: decrease of R20 847) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

Operating lease receivables have been restated. Refer to Note 57 on "Correction of Error" for details of the restatement.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

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8.3 Contingent Rentals

Properties have been leased to external parties during the year under review on a month to month basis or for indefinite periods. These rentals are classified as contingent rentals due to uncertain lease periods and uncertain tariff increases. The operating lease payments are therefore not subject to straight-lining. Due to the uncertainties above, it is impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13.

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	51,728,220	-	51,728,220	51,728,220	-	51,728,220
Buildings	131,265,834	(33,757,912)	97,507,922	90,604,444	(29,741,664)	60,862,780
Leasehold property	8,087,140	(2,257,243)	5,829,897	3,086,098	(257,175)	2,828,923
Infrastructure	1,510,439,490	(864,003,704)	646,435,786	1,458,717,838	(783,223,635)	675,494,203
Community	117,617,588	(93,693,451)	23,924,137	117,617,588	(57,873,034)	59,744,554
Other property, plant and equipment	37,216,653	(16,329,518)	20,887,135	38,078,560	(13,629,136)	24,449,424
Capital assets under construction	66,911,843	-	66,911,843	71,064,599	-	71,064,599
Total	1,923,266,768	(1,010,041,828)	913,224,940	1,830,897,347	(884,724,644)	946,172,703

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	51,728,220	-	-	-	-	51,728,220
Buildings	60,862,780	37,966,967	(462,772)	3,833,073	(4,692,126)	97,507,922
Leasehold property	2,828,923	5,001,043	-	-	(2,000,068)	5,829,898
Infrastructure	675,494,204	1,004,747	-	24,427,383	(54,490,549)	646,435,785
Community	59,744,554	-	-	-	(35,820,416)	23,924,138
Other property, plant and equipment	24,449,424	596,032	(510,282)	-	(3,648,038)	20,887,136
Capital assets under construction	71,064,599	24,107,700	-	(28,260,456)	-	66,911,843
	946,172,704	68,676,489	(973,054)	-	(100,651,197)	913,224,942

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	51,728,220	-	-	-	-	51,728,220
Buildings	64,570,206	-	-	581,381	(4,288,807)	60,862,780
Leasehold property	-	3,086,098	-	-	(257,175)	2,828,923
Infrastructure	695,411,170	2,600,000	-	23,803,151	(46,320,117)	675,494,204
Community	66,035,284	-	-	-	(6,290,730)	59,744,554
Other property, plant and equipment	28,092,056	1,311,837	(706,236)	-	(4,248,233)	24,449,424
Capital assets under construction	37,314,700	58,134,431	-	(24,384,532)	-	71,064,599
	943,151,636	65,132,366	(706,236)	-	(61,405,062)	946,172,704

Gamagara Local Municipality

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9. Property, plant and equipment (continued)

Property, plant and equipment has been restated. Refer to Note 57 on "Correction of Error" for details of the restatement.

9.1 Pledged as security

The municipality did not pledge any of its assets as security.

9.2 Reconciliation of Work-in-Progress

Cumulative expenditure recognised in the carrying value of investment property and property, plant and equipment in the process of being constructed or developed:

Buildings	14,119,197	-
Water Infrastructure	17,626,194	-
Sewer Infrastructure	29,435,127	-
Electricity Infrastructure	3,904,340	-
Roads Infrastructure	1,826,984	-

9.3 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,040,258	(3,115,262)	1,924,996	4,916,073	(2,274,271)	2,641,802

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,641,802	124,185	(840,991)	1,924,996

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,377,154	177,155	(912,507)	2,641,802

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

There are no contractual obligations on Intangible Assets.

10.1 Impairment of Intangible Assets

Gamagara Local Municipality

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10. Intangible assets (continued)

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11. Investment property

	2017			2016		
	Cost / Valuation	Fair value adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Investment property	213,468,234	(3,598,114)	209,870,120	189,859,786	23,608,448	213,468,234

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	213,468,234	(3,598,114)	209,870,120

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	189,859,786	23,608,448	213,468,234

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

The investment property balance has been restated. Refer to Note 57 on "Correction of Error" for details of the restatement.

12. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	74,581	-	74,581	74,581	-	74,581

Reconciliation of heritage assets 2017

	Opening balance	Total
Heritage assets	74,581	74,581

Reconciliation of heritage assets 2016

	Opening balance	Total
Heritage assets	74,581	74,581

13. Consumer deposits

Electricity and Water	4,455,026	5,727,186
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Gamagara Local Municipality

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13. Consumer deposits (continued)

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

14. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Long-term Service Liability	1,007,817	37,482	1,045,299
Post-retirement Medical Aid Benefits Liability	776,628	25,335	801,963
Rehabilitation of Landfill Sites	27,611,009	1,803,228	29,414,237
	29,395,454	1,866,045	31,261,499

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Long-term Service Liability	637,391	370,426	1,007,817
Post-retirement Medical Aid Benefits Liability	691,656	84,972	776,628
Rehabilitation of Landfill Sites	26,289,519	1,321,490	27,611,009
	27,618,566	1,776,888	29,395,454

Provisions have been restated to account for the change in earnings definition in relation to the long-term service liability as well as the change in the rehabilitation of landfill sites. Refer to Note 57 on "Correction of Error" for details of the restatement.

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Neither one of the two Landfill sites are registered as official sites as they are operated without a permit. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed in Note 53.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability as at 30 June 2017. The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2017.

15. Payables from exchange transactions

Trade Creditors	131,088,647	87,416,797
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The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

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15. Payables from exchange transactions (continued)

The municipality had a payment arrangement in place with ESKOM at year end, this arrangement was settled in full during July 2017.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Payables from exchange transactions have been restated to account for expenses not accrued for previously. Refer to Note 57 on "Correction of Error" for details of the restatement.

16. Payables from non-exchange transactions

Payments Received In Advance	36,414,059	24,997,305
Staff Leave	11,909,870	10,222,409
Sundry Deposits	2,109,344	2,346,986
Staff Bonus	3,324,025	-
Unallocated Deposits	16,234,510	13,631,306
	69,991,808	51,198,006

Staff leave and bonus accrues to the staff of the municipality on an annual basis, subject to certain conditions.

No credit period exists for payables from non-exchange transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on the payment of its creditors. No terms for payment have been renegotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of creditors approximates their fair values.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Payables from non-exchange transactions have been restated to account for the change in earnings definition in relation to the staff leave accrual. Refer to Note 57 on "Correction of Error" for details of the restatement.

17. Other financial liabilities

At amortised cost

Annuity Loans - Non-current	(16,661,985)	(21,254,036)
Annuity Loans - Current	(11,132,922)	(7,451,639)
	(27,794,907)	(28,705,675)

Total other financial liabilities

(27,794,907) (28,705,675)

Non-current liabilities

At amortised cost	16,661,985	21,254,036
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Current liabilities

At amortised cost	11,132,922	7,451,639
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Annuity Loans are repaid over periods varying from 10 to 15 (2016: 10 to 15) years and at interest rates varying from 8.63% to 11.06% (2016: 8.63% to 11.06%) per annum. Annuity Loans are not secured.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Gamagara Local Municipality

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17. Other financial liabilities (continued)

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.1 Breach of Loan Agreement

No terms for payment have been re-negotiated by the municipality.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: MIG Funds	7,054,646	-
Integrated National Electrification Programme Grant (INEP)	29,935,129	17,737,594
Provincial: Library	534,000	-
	37,523,775	17,737,594

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

Refer to Appendix "F" for more detail on Conditional Grants.

See Note 26 for government grants and subsidies. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

19. Finance lease obligation

Minimum lease payments due

- within one year	5,571,046	2,007,672
- in second to fifth year inclusive	6,698,794	3,513,426
	12,269,840	5,521,098
less: future finance charges	(5,349,508)	(2,557,951)
Present value of minimum lease payments	6,920,332	2,963,147

Present value of minimum lease payments due

- within one year	2,182,889	663,718
- in second to fifth year inclusive	4,737,443	2,299,429
	6,920,332	2,963,147

Non-current liabilities	4,737,443	2,299,429
Current liabilities	2,182,889	663,718
	6,920,332	2,963,147

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the effective borrowing rate ranges from 10.50% to 202.23%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9

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20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post-Retirement Health Care Benefits Liability	(35,696,739)	(38,198,605)
Long Service Awards Liability	(7,759,909)	(7,114,983)
	(43,456,648)	(45,313,588)

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	38,975,233	32,707,863
Current service costs	2,420,370	1,912,223
Increase due to Discounting	3,531,181	2,928,070
Actuarial gains & losses & benefits paid	(8,428,082)	1,427,077
Balance at end of Year	36,498,702	38,975,233
Current portion	(801,963)	(776,628)
Total Post-retirement Health Care Benefits Liability	35,696,739	38,198,605

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss. He is an approved pension fund valuator and a member of the Actuarial Society of South Africa (ASSA). He is also a Fellow of the Faculty of Actuaries in the UK. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	281	280
Continuation Members (Retirees, widowers and orphans)	16	18
Total Members	297	298

The liability in respect of past service has been estimated as follows:

In-service Members	26,442,183	27,242,092
Continuation Members	10,056,519	11,733,141
Total Liability	36,498,702	38,975,233

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2017 is estimated to be R2,420,370 whereas the cost for the ensuing year is estimated to be R 2,192,871 (30 June 2016 and 30 June 2017: R 1,912,223 and R2,420,370 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

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20. Employee benefit obligations (continued)

Discount Rate	9.87 %	9.15 %
Health Care Cost Inflation Rate	8.14 %	8.23 %
Net Effective Discount Rate	1.61 %	0.85 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Mortality tables	SA 85-90	SA 85-90
Mortality tables post-retirement	PA(90)-1	PA(90)-1

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	38,975,233	32,707,863
Current service cost	2,420,370	1,912,223
Interest cost	3,531,181	2,928,070
Benefits paid	(732,291)	(691,656)
Actuarial losses / (gains)	(7,695,791)	2,118,733
Total Recognised Benefit Liability	36,498,702	38,975,233

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	36,498,702	38,975,233
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2,420,370	1,912,223
Interest cost	3,531,181	2,928,070
Actuarial losses / (gains)	(7,695,791)	2,118,733
Less: Benefits paid	(732,291)	(691,656)
Total Post-retirement Benefit included in Employee Related Costs	(2,476,531)	6,267,370

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	7,000,400	5,874,700
Effect on the defined benefit obligation	37,547,551	40,009,640

Decrease:

Effect on the aggregate of the current service cost and the interest cost	4,786,300	4,032,600
Effect on the defined benefit obligation	35,333,451	38,167,540

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
20. Employee benefit obligations (continued)		
20.2 Long Service Awards Liability		
Balance at beginning of Year	8,122,800	5,928,376
Contribution to provision	853,647	642,004
Increase due to discounting	653,322	450,833
Current service cost & benefits paid	(824,562)	1,101,587
Balance at end of Year	8,805,207	8,122,800
Current portion	(1,045,299)	(1,007,817)
Total Long Service Awards Liability	7,759,908	7,114,983

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Longservice Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C. Weiss. He is an approved pension fund valuator and a member of the Actuarial Society of South Africa (ASSA). He is also a Fellow of the Faculty of Actuaries in the UK. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 365 (2016: 358) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R853 647, whereas the cost for the ensuing year is estimated to be R870 630 (30 June 2016 and 30 June 2017: R 642,004 and R 853 647 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.44 %	8.56 %
General Salary Inflation	6.26 %	7.21 %
Net Effective Discount Rate	2.05 %	1.25 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Mortality tables during employment	SA 85-90	SA 85-90

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	8,122,800	5,928,376
Current service costs	853,647	642,004
Interest cost	653,322	450,833
Benefits paid	(887,417)	(637,391)
Actuarial losses / (gains)	62,855	1,738,978
Total Recognised Benefit Liability	8,805,207	8,122,800

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	8,805,207	8,122,800
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	853,647	642,004
Interest cost	653,322	450,833
Actuarial losses / (gains)	62,855	1,738,978
Less: Benefits paid	(887,417)	(637,391)
Total Post-retirement Benefit included in Employee Related Costs	682,407	2,194,424

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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20. Employee benefit obligations (continued)

The effect of a 1% movement in the assumed rate of general salary inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1,623,200	1,181,600
Effect on the defined benefit obligation	8,921,438	8,211,563

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1,402,800	1,013,500
Effect on the defined benefit obligation	8,701,038	8,043,463

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Long service awards have been restated to account for the change in earnings definition in relation to the staff leave accrual. Refer to Note 57 on "Correction of Error" for details of the restatement.

21. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	845,162,858	916,287,511
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Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

Accumulated Surplus has been restated. Refer to Notes 57 on "Correction of Errors" for details of the restatements.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
22. Property rates		
Rates received		
Property Rates Income	443,496,025	420,288,537
Less: Income forgone	(2,438,549)	(4,710,454)
	441,057,476	415,578,083
Valuations		
Residential Properties	4,281,999,564	4,256,935,564
Industrial Properties	4,470,000	4,470,000
Business Properties	328,342,000	327,622,000
Agriculture Properties	1,434,925,010	1,434,559,010
Municipal Farms	68,288,020	68,288,020
State owned Properties	56,439,000	56,403,000
Municipal Properties	273,385,900	279,885,900
Public Service Infrastructure	6,611,000	6,611,000
Churches	36,353,000	36,203,000
Education	40,950,000	40,950,000
Mining Properties	20,520,025,000	20,520,025,000
Guest House	42,110,000	42,110,000
Small Holdings	83,100,000	83,100,000
Government Hospitals	6,700,000	6,700,000
Private Hospitals	7,000,000	7,000,000
Existing Farms - Without Dwellings	325,723,000	325,723,000
Small Holdings - Without Dwellings	1,900,000	1,900,000
	27,518,321,494	27,498,485,494

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rate in the rand for domestic properties of R0.009575 was charged on site values and improvements. Business were charged at a rate in the rand of R0.019149 on site values and improvements.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community.

Property rates have been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.

23. Fines

General	374,142	680,380
Traffic	9,850	2,809
Total fines	383,992	683,189

24. Licences and permits

Drivers licences	517,374	534,006
Other general	-	4,306
Total Licences and Permits	517,374	538,312

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
25. Income from agency services		
Motor licences	2,395,271	2,597,835
Total Income from Agency Services	2,395,271	2,597,835
26. Government grants and subsidies		
Operating grants		
Equitable share	25,352,000	22,923,206
National: Finance Management Grant (FMG)	1,625,000	1,600,000
National: Municipal Systems Improvement Grant (MSIG)	-	930,000
Provincial: Department of Public Works: Epwp Program	1,000,000	1,000,000
Provincial: Library	1,565,000	1,538,000
District Municipality: John Toalo Gaetsewe	377,957	-
	29,919,957	27,991,206
Capital grants		
National: Municipal Infrastructure Grant (MIG)	14,514,354	9,864,000
National: Department of Minerals & Energy (INEP)	3,153,465	2,262,406
Provincial: COGHSTA	-	3,218,329
	17,667,819	15,344,735
Total Government Grants and Subsidies	47,587,776	43,335,941
Equitable Share		
Equitable share	25,352,000	22,923,206
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R376.35 (2016: R328.48), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council.		
National: Finance Management Grant (FMG)		
Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to Revenue: Operating Expenses	(1,625,000)	(1,600,000)
Conditions still to be met - transferred to Liabilities	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
National: MIG Funds		
Balance unspent at beginning of year	-	1,532,206
Current-year receipts	21,569,000	9,864,000
Conditions met - transferred to Revenue: Capital Expenses	(14,514,354)	(9,864,000)
Refunds	-	(1,532,206)
Conditions still to be met - transferred to Liabilities	7,054,646	-

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
26. Government grants and subsidies (continued)		
National: Municipal Systems Improvement Grant (MSIG)		
Current-year receipts	-	930,000
Conditions met - transferred to Revenue: Operating Expenses	-	(930,000)
Conditions still to be met - transferred to Liabilities	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

National: Department of Minerals & Energy (INEP)

Balance unspent at beginning of year	17,737,594	-
Current-year receipts	22,000,000	20,000,000
Conditions met - transferred to Revenue: Capital Expenses	(3,153,465)	(2,262,406)
Other Adjustments/Refunds	(6,649,000)	-
Conditions still to be met - transferred to Liabilities	29,935,129	17,737,594

The grant was allocated for the upgrading of poor households, micro enterprises and social institutions to provide for new, rehabilitation and upgrading of municipal infrastructure. The INEP roll over request for the previous year was only partially approved, this lead to the deduction of R6 649 000 of the unspent funds.

Provincial: Expanded Public Works Program

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to Revenue: Operating Expenses	(1,000,000)	(1,000,000)
Conditions still to be met - transferred to Liabilities	-	-

This grant was allocated to the municipality for the upgarding of roads within the municipal area. No funds have been withheld.

Provincial: Library

Current-year receipts	2,099,000	1,538,000
Conditions met - transferred to Revenue: Operating Expenses	(1,565,000)	(1,538,000)
Conditions still to be met - transferred to Liabilities	534,000	-

Conditions still to be met - remain liabilities (see note 18).

This grant was allocated to the municipality for community projects. No funds have been withheld.

Provincial: COGHSTA

Current-year receipts	-	3,218,329
Conditions met - transferred to Revenue: Capital Expenses	-	(3,218,329)
Conditions still to be met - transferred to Liabilities	-	-

The grant was allocated to the municipality for the construction of RDP houses in Sesheng (490 houses) and Olifantshoek (200 houses) as well as 200 rental units in Kathu.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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26. Government grants and subsidies (continued)

District Municipality: John Toalo Gaetsewe

Current-year receipts	377,957	-
Conditions met - transferred to revenue	(377,957)	-
	-	-

This grant was allocated to the municipality for community projects.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

27. Public contributions and donations

Assmang proprietary limited	325	-
Sishen iron ore company (pty) ltd	45,953,757	927,801
Total Public Contributions and Donations	45,954,082	927,801

28. Service charges

Sale of electricity	122,433,459	122,804,953
Sale of water	48,855,066	48,502,420
Sewerage and sanitation charges	28,763,076	17,069,652
Refuse removal	19,381,739	18,172,365
Other service charges	540,601	12,013,657
Total Service Charges	219,973,941	218,563,047

Service charges have been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.

29. Rental of facilities and equipment

Rental revenue from land	899,966	1,248,210
Rental revenue from other facilities	44,627	45,632
Total Rental of Facilities and Equipment	944,593	1,293,842

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

Rental of facilities and equipment been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.

30. Interest earned

External Investments:

Bank account & Call investment deposits	241,369	255,421
Interest - Other	6,686	10,543
Total Interest Earned	248,055	265,964

Interest earned have been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
31. Other income		
Cemetery fees	23,288	20,478
Collection charges	85,047	77,074
Connection fees	226,025	303,239
Photocopies	1,820	4,950
Refuse removal fees	11,686	9,714
Sundry revenue	564,005	398,000
Tender documents	53,580	81,000
Valuation roll fee	38,855	24,243
Various sales	2,352,920	570,969
Total Other Revenue	3,357,226	1,489,667

The amounts disclosed above for other income are in respect of services, other than described in Notes 22 to 30, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
32. Employee related costs		
Basic	88,386,025	80,032,981
Contributions for UIF, Pensions and Medical Aids	20,442,024	18,020,869
Defined contribution plans	(1,794,124)	8,461,794
Travel, motor car, accommodation, subsistence and other allowances	3,360,858	2,967,496
Overtime payments	7,038,093	10,179,081
Housing benefits and allowances	1,305,150	1,302,419
Total Employee Related Costs	118,738,026	120,964,640
Remuneration of Municipal Manager		
Annual Remuneration	1,001,860	814,630
Car and Other Allowances	638,524	614,704
Performance Bonuses	-	98,312
Total	1,640,384	1,527,646
Remuneration of Chief Financial Officer		
Annual Remuneration	823,342	673,831
Car and Other Allowances	533,622	459,333
Performance Bonuses	-	73,631
Total	1,356,964	1,206,795
Remuneration of the Director: Community Services - RC Apools		
Annual Remuneration	681,961	557,380
Car and Other Allowances	403,389	388,618
Performance Bonuses	-	58,033
Total	1,085,350	1,004,031
Remuneration of the Director: Corporate Services - L Seetile		
Annual Remuneration	681,961	557,380
Car and Other Allowances	403,389	388,618
Performance Bonuses	-	58,033
Total	1,085,350	1,004,031
Remuneration of the Director: Infrastructure - KN Ositang		
Annual Remuneration	681,961	557,380
Car and Other Allowances	403,389	388,618
Performance Bonuses	-	58,033
Total	1,085,350	1,004,031
Remuneration of the Director: Strategic Services KJ Leserwane		
Annual Remuneration	681,961	557,380
Car and Other Allowances	403,389	388,618
Performance Bonuses	-	58,033
Total	1,085,350	1,004,031

Employee related costs have been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
33. Remuneration of councillors		
Councillors	2,476,898	1,836,163
Company Contributions to UIF, Medical and Pension Funds	138,920	363,389
Other Allowances (Cellular Phones, Housing, Transport, etc.)	924,464	732,002
Total Councillors' Remuneration	3,540,282	2,931,554
In-kind benefits		
The Councillor occupying the position of the Mayor of the municipality serve in a full-time capacity. She is provided with office accommodation and secretarial support at the expense of the municipality in order to enable her to perform her official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
34. Depreciation and amortisation		
Property, plant and equipment	53,219,301	61,400,943
Intangible assets	840,991	912,507
Total Depreciation and Amortisation	54,060,292	62,313,450
Depreciation and amortisation costs have been restated to account for corrections of prior year transaction. Refer to Note 57 on "Correction of Error" for details of the restatement.		
35. Impairment loss		
Impairments		
Property, plant and equipment	47,431,898	-
Trade and other receivables	387,144,342	402,262,758
	434,576,240	402,262,758
36. Repairs and maintenance		
Land and Buildings	203,232	347,651
Infrastructure - Electricity	5,717,690	4,786,340
Infrastructure - Road Transport	1,031,753	986,858
Infrastructure - Water	87,930	1,982,424
Other Assets	8,170,939	5,475,176
Total Repairs and Maintenance	15,211,544	13,578,449
37. Finance costs		
Long-term liabilities	2,359,549	2,731,875
Creditors overdue	3,745,345	448,123
Finance leases	3,044,842	378,967
Landfill provision	1,803,228	1,321,490
Total Interest Paid on External Borrowings	10,952,964	4,880,455
Finance costs have been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.		
38. Bulk purchases		
Electricity	94,473,430	82,723,627
Water	21,449,670	16,858,754
Total Bulk Purchases	115,923,100	99,582,381

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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38. Bulk purchases (continued)

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Sedibeng Water.

Bulk purchases have been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.

39. Contracted services

Commission paid	3,734,909	6,889,619
Project related expenses	106,066	7,468,292
Licences & permits	237,792	403,765
Rentals paid	29,349	737,451
Security services	4,480,167	2,687,166
Total Contracted Services	8,588,283	18,186,293

40. Grants and subsidies paid

Other subsidies

Low Income Subsidy / Free Basic Services (Equitable share)	2,253,913	2,343,317
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Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
41. General expenses		
Included in General Expenses are the following:		
Advertising	242,598	354,816
Auditors remuneration	4,021,185	2,968,744
Bank charges	1,011,822	859,988
Books, Magazines & Publication	17,112	18,699
Call Centre	2,880,846	3,256,649
Cleaning Materials	645,861	594,179
Cleaning	87,459	67,200
Conferences and seminars	27,000	28,972
Consultant Fees	34,341,563	25,228,193
Elec Pre-Paid Meter Issue	153,721	-
Entertainment	142,983	132,043
Fuel and oil	3,182,090	3,258,586
Motor vehicle expenses	10,879	15,844
Functions / Events	41,136	251,610
Impounding Of Animals	-	33,394
Insurance	1,067,699	517,239
IT expenses	-	16,216
Library Expenses	319,257	318,078
Staff welfare	-	212,675
Legal Costs	1,583,697	1,987,116
Membership Fees	1,435,680	1,924,974
Postages	137,395	260,782
Printing and stationery	614,234	462,090
Assets expensed	180,750	505,450
Protective clothing	253,684	662,661
Safety Equipment	27,385	1,224
Special Programmes	12,800	174,057
Sports Council	-	11,575
Stores & Materials	224,904	229,346
Subsistence & Travelling	1,779,679	3,281,359
Sundries	1,732,177	1,113,270
Telephone & Communication	1,961,037	1,924,649
Traffic /Road Signs	-	26,858
Training Levies	590,977	728,030
Valuation Roll (Msig)	482,500	-
Ward Comm Activities & Train	259,400	407,860
Youth Dev. Programmes	-	100,244
Interdepartmental Charges	6,191,318	6,233,762
Total General Expenses	65,660,828	58,168,432

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Interdepartmental Charges are charged to other trading and economic services for support services rendered

General expenses have been restated to account for corrections of prior year transactions. Refer to Note 57 on "Correction of Error" for details of the restatement.

42. Loss on disposal of assets and liabilities

Loss on disposal of assets	(440,847)	(156,569)
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The transactions relate to sale of assets at a public auction, as well as write offs during the financial year.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
43. Cash generated from operations		
Deficit	(71,124,651)	(76,486,169)
Adjustments for:		
Depreciation and amortisation	54,060,292	62,313,450
Impairment Losses on Property, Plant and Equipment	47,431,898	-
Loss on sale of assets and liabilities	440,847	156,569
Rent received - Straight-lining of operating lease receivables	8,476	20,847
Fair value adjustments	3,598,114	(23,608,448)
Finance costs - Finance leases	3,044,842	378,967
Contribution to Employee Benefit Liability	(1,794,124)	8,461,794
Rehabilitation of landfill site movements	1,803,228	1,321,490
Leave and bonus accrual contributions	5,011,486	4,048,162
Impairment losses: Provision for doubtful debts - exchange transactions	8,631,727	43,276,008
Impairment losses: Provision for doubtful debts - Non exchange transactions	377,916,678	358,986,749
Asset donated fair value of transfer: PPE	(37,993,639)	-
Changes in working capital:		
Inventories	105,409	(219,466)
Receivables from exchange transactions	(31,636,114)	(35,795,843)
Receivables from non exchange transactions (Rates)	(381,241,115)	(358,986,167)
Receivables from non exchange transactions (other)	18,918	1,306,312
Payables from exchange transactions	43,671,850	80,709,749
VAT	6,179,749	802,278
Payables from non exchange transactions	13,782,315	12,728,295
Unspent conditional grants and receipts	19,786,181	16,205,388
Consumer deposits	(1,272,161)	17,713
	60,430,206	95,637,678
44. Non-cash investing and financing transactions		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2016/17 financial year.		
45. Unauthorised expenditure		
Reconciliation of Unauthorised Expenditure:		
Opening balance	179,225,375	63,332,444
Unauthorised Expenditure current year	365,334,294	179,225,375
Approved by Council or condoned	(179,225,375)	(63,332,444)
Unauthorised Expenditure awaiting authorisation	365,334,294	179,225,375
46. Irregular expenditure		
Opening balance	268,143,650	204,612,862
Add: Irregular Expenditure - current year	66,012,122	63,530,788
Irregular Expenditure awaiting write off	334,155,772	268,143,650

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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46. Irregular expenditure (continued)

Details of irregular expenditure – current year Incident

Disciplinary steps taken/criminal proceedings

Goods & Service below R30 000 were obtained without going through the procurement process.	To be submitted to Council to be written off	4,184,723
Goods & Service between R30 000 and R200 000 were obtained without going through the procurement process	To be submitted to Council to be written off	13,595,114
Goods & Services above R200 000 obtained without obtaining required price quotations	To be submitted to Council to be written off	44,202,955
Procurement processes were not followed on the second appointment	To be submitted to Council to be written off	4,029,330
		66,012,122

Details of irregular expenditure - prior year Incident

Disciplinary steps taken/criminal proceedings

Did not meet requirements to be registered on databasis of suppliers.	To be submitted to Council to be written off	1,047,344
Goods & Service between R30 000 and R200 000 were obtained without going through the procurement process	To be submitted to Council to be written off	3,664,520
Goods & Services above R200 000 obtained without obtaining required price quotations	To be submitted to Council to be written off	3,037,896
Awards which did not go through the procurement process	To be submitted to Council to be written off	19,036,733
Awards made to suppliers with municipal account on arrears	To be submitted to Council to be written off	13,207,980
No advert for tender awarded	To be submitted to Council to be written off	18,304,863
Procurement processes were not followed on the second appointment	To be submitted to Council to be written off	5,014,797
Inappropriate deviations	To be submitted to Council to be written off	216,655
		63,530,788

Further instances relating to procurement of Goods and Services and Capital Expenditure are under investigation.

47. Fruitless and wasteful expenditure

Opening balance	919,597	301,800
Fruitless and wasteful expenditure current year	3,745,345	617,797
Fruitless and Wasteful Expenditure awaiting condonement	4,664,942	919,597

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised Local government - SALGA

Opening balance	-	-
Current year subscription / fee	1,435,680	1,462,614
Amount paid - current year	(1,435,680)	(1,462,614)
Balance Unpaid (included in Creditors)	-	-

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	-	-
Current year subscription / fee	4,584,150	2,968,744
Amount paid - current year	(4,584,150)	(2,968,744)
Balance Unpaid (included in Creditors)	-	-

PAYE, Skills Development Levy and UIF

Opening balance	137,242	-
Current year deduction/declaration	17,676,944	16,159,027
Penalties and Interest accrued	178,916	254,689
Amount paid - current year	(16,205,820)	(16,159,027)
Penalties and Interest paid	(316,158)	(117,447)
Balance Unpaid (included in Creditors)	1,471,124	137,242

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	29,391,718	25,882,360
Amount paid - current year	(29,391,718)	(25,882,360)
Balance Unpaid (included in Creditors)	-	-

VAT

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

During the years under review, the following VAT payments have been made to SARS:

VAT receivable	5,065,943	1,671,605
VAT payable	4,508,144	-
	9,574,087	1,671,605

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding:

June 30, 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
D.P. Moyo	7,993	4,602	12,595
O.E. Hantise	972	809	1,781
A. Booysen	-	6,142	6,142
M.K. Orpen	-	70	70
C.V. Joseph	2,903	36,840	39,743
Total Councillor Arrear Consumer Accounts	11,868	48,463	60,331

June 30, 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
I. Obuseng	780	12,859	13,639
P.T. Selonyane	744	216	960
E.T. Tiroyame	1,795	5,402	7,197
G.M. Vos	-	306,554	306,554
P.D. Moyo	2,298	-	2,298
O.E. Hantise	853	1,516	2,369
J.C Kaars	-	28,176	28,176
J. Johnson	7,509	108,397	115,906
V.L. Gorrah	354	-	354
B.F. van Wyk	2,649	50,178	52,827
F. Visser	1,874	11,966	13,840
Total Councillor Arrear Consumer Accounts	18,856	525,264	544,120

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Additional Disclosure on transactions with close family members of persons in service of the state

In terms of section 45 of the Municipal Supply Chain Management Regulations the municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

No transactions took place in the current financial year.

Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Department	Date	Successful tenderer	Reason	Amount
Gamagara Local Municipality	Year 2016/17	Various cases	Various reasons like preferred supplier & venue, urgency, only 1 or 2 suppliers registered on databasis, specialised products, limited to 1 supplier.	15,043,713

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Electricity

	Unaccounted Electricity Losses	Lost Units	Value
30 June 2017		28,514,688	25,314,860
30 June 2016		4,031,637	4,132,976

Electricity Losses occur due to technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:

System Input Volume	107,628,464	102,634,735
Billed Consumption	(79,113,776)	(98,603,098)

Distribution Loss

28,514,688	4,031,637
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Percentage Distribution Loss	26.49 %	3.93 %
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Loss (R):	25,314,860	4,132,976
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Water

	Unaccounted Water Losses	Lost Units	Value
30 June 2017		2,897,688	12,448,135
30 June 2016		1,409,011	12,076,024

Water Losses occur due to leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

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49. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	22,311,851	56,508,257
• Other	-	-
Total Capital Commitments	22,311,851	56,508,257
Total capital commitments		
Already contracted for but not provided for	22,311,851	56,508,257
This expenditure will be financed from:		
• Government Grants	22,311,851	56,508,257

50. Financial instruments disclosure

50.1 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and short-term investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

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50.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2013

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity which consist of Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	357,000,786	242,256,666
Cash and Cash Equivalents	(44,073,614)	(13,296,414)
Net Debt	312,927,172	228,960,252
Equity	845,162,858	901,168,095
	37.03 %	25.41 %

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

50.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

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50.4 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Gamagara Local Municipality

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50.5 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.5.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

50.5.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

50.5.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

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50.6 Credit Risk Management

Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

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The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Receivables from Exchange Transactions	24,466,169	1,461,784
Receivables from Non-exchange Transactions	7,363,762	4,058,242
Bank, Cash and Cash Equivalents	44,073,614	13,916,660
Maximum Credit and Interest Risk Exposure	75,903,545	19,436,686
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
Consumer Debtors:		
- Household	89.67 %	88.27 %
- Industrial / Commercial	9.78 %	8.83 %
- National and Provincial Government	0.55 %	2.90 %
Total Credit Risk	100.00 %	100.00 %
Bank and Cash Balances		
First National Bank	2,933,265	12,888,854
Standard Bank	2,171,052	-
Total Bank and Cash Balances	5,104,317	12,888,854

Gamagara Local Municipality

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50.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 50 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

June 30, 2017

	Total R	6 months or less R	6 - 12 months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
Non-interest bearing	131,088,647	131,088,647	-	-	-	-
- Payables from exchange transactions	131,088,647	131,088,647	-	-	-	-
Fixed interest rate instruments	27,794,907	8,775,253	2,357,669	5,043,237	11,618,748	-
Non-current liabilities	16,661,985	-	-	5,043,237	11,618,748	-
- DBSA Loan	16,661,985	-	-	5,043,237	11,618,748	-
Other current liabilities	11,132,922	8,775,253	2,357,669	-	-	-
- DBSA Loan	11,132,922	8,775,253	2,357,669	-	-	-
	158,883,554	139,863,900	2,357,669	5,043,237	11,618,748	-

June 30, 2016

	Total R	6 months or less R	6 - 12 months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
Non-interest Bearing	87,416,797	87,416,797	-	-	-	-
- Payables from Exchange transactions	87,416,797	87,416,797	-	-	-	-
Fixed interest rate instruments	28,705,675	2,032,887	5,418,752	4,592,493	16,661,543	-
Other non-current liabilities	21,254,036	-	-	4,592,493	16,661,543	-
- DBSA Loan	21,254,036	-	-	4,592,493	16,661,543	-
Non-current liabilities	7,451,639	2,032,887	5,418,752	-	-	-
- DBSA Loan	7,451,639	2,032,887	5,418,752	-	-	-
	116,122,472	89,449,684	5,418,752	4,592,493	16,661,543	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

June 30, 2017

	Total R	6 months or less R	6 - 12 months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
Non-interest Bearing	75,903,545	75,903,545	-	-	-	-
- Trade receivables from exchange transactions	24,466,169	24,466,169	-	-	-	-

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Figures in Rand			2017		2016	
- Trade receivables from non-exchange transactions	7,363,762	7,363,762	-	-	-	-
- Cash and Cash Equivalents	44,073,614	44,073,614	-	-	-	-
	75,903,545	75,903,545	-	-	-	-

June 30, 2016

	Total R	6 months or less R	6 - 12 months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
Non-interest bearing	19,436,686	19,436,686	-	-	-	-
- Trade receivables from exchange transactions	1,461,784	1,461,784	-	-	-	-
- Trade receivables from non-exchange transactions	4,058,242	4,058,242	-	-	-	-
- Cash and cash equivalents	13,916,660	13,916,660	-	-	-	-
	19,436,686	19,436,686	-	-	-	-

50.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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51. Multi employer retirement benefit information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Defined Benefit Scheme

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013. The scheme both operates a Defined benefit and Defined contribution scheme.

The statutory valuation performed as at 30 June 2013 revealed that the fund had a deficit of R 10 million (30 June 2012: R 18 million), with a funding level of 99,7% (30 June 2012: 99,4%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Defined Contribution Schemes

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R 31,425 million (30 June 2012: (R 7,980)) million, with funding levels of 100,2% and 100,0% (30 June 2012: 99,9% and 100%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R 1,183 (30 June 2011: R 1,041) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

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National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The net assets available for benefits were R 6,981 (2012: R 5,646) million.

The statutory valuation performed as at 1 July 2013 revealed that the fund had a deficit of R 65 (30 June 2012: R 63) million, with a funding level of 99,97% (30 June 2012: 99,89%). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

Lekana Pension Fund (Previously SAMWU National Provident Fund)

The valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2,455,947 million (30 June 2005: R 1,511,461 million) with funding levels of 100% (30 June 2005: 100%). The contribution rate paid by the members (7,5%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund is certified to be financially sound as at 30 June 2008.

Sanlam Umbrella Provident Fund

No details could be provided for the fund and of any valuation performed. The registrar granted valuation exemption to the fund and the date on which the valuation exemption for the fund will terminate is 31 December 2017. The contribution rate paid by the members is 9% and the municipality 18%.

None of the above mentioned plans are State Plans.

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Related party relationships:

Ward	Surname	Initials
1	du Plessis	H.
2	Booyesen	A.
3	Orpen	M.K.
4	Lekgadi	B.P.
5	Magagane	N.S.
6	Joseph	C.V.
7	Moreeng	S.G.
Mayor	Moyo	D.P.
Proportional	Hantise	O.E.
Proportional	Nqume	M.F.
Proportional	Morwe	A.J.
Proportional	Esau	G.J.
Proportional	Skeiman	M.C.

	Surname	Initials
Municipal Manager	Itumeleng	T.C.
Chief Financial Officer	Grond	N.M.
Director Corporate Services	Seetile	L.
Director Infrastructure	Ositang	K.N.
Director Community Services	Apools-Sebogodi	R.C.
Director Strategic Services	Leserwane	K.P.

		Rates charges	Service charges	Sundry charges	Outstanding balances
For the Year ended 30 June 2017					
Councillors		17,331	72,964	-	60,331
Section 57 Personnel		46,199	38,444	88,500	112,528
Total Services		63,530	111,408	88,500	172,859
Councillors					
Mayor	D.P. Moyo	-	52,805	-	12,595
Councillor : PR	O.E. Hantise	-	4,212	-	1,781
Councillor : Ward 1	H. du Plessis	9,431	10,003	-	-
Councillor : Ward 2	A. Booysen	-	-	-	6,142
Councillor : Ward 3	M.K. Orpen	-	-	-	70
Councillor : Ward 6	C.V. Joseph	7,899	5,944	-	39,743
Section 57 Personnel:					
Municipal Manager	T.C. Itumeleng	-	-	36,000	10,255
Chief Financial officer	N.M. Grond	-	2,353	34,500	20,654
Director Infrastructure	K.N. Ositang	8,857	8,712	-	1,980
Director Community Services	R.C. Apools-Sebogodi	37,343	28,424	-	70,639
Director Strategic Services	K.P. Leserwane	-	437	18,000	9,000
		63,530	112,890	88,500	172,859

Councillors	58,306	194,376	-	543,703
Section 57 Personnel	43,420	45,177	66,000	123,774

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand		2017		2016	
52. Related parties (continued)					
Total Services		101,726	239,553	66,000	667,477
Councillors:					
Mayor	D.P. Moyo	-	23,683	-	2,298
Councillor : PR	H. du Plessis	8,864	10,637	-	(417)
Councillor : PR	O.E. Hantise	-	4,337	-	2,369
Councillor : PR	J.C. Kaars (Resigned Jan 2016)	180	1,097	-	28,176
	B.F van Wyk (Sworn in June 2016)	-	-	-	-
		-	2,649	-	52,827
Councillor : PR	J. Johnson (Passed away during Aug 2015)	-	-	-	-
		-	33,025	-	115,906
Councillor : PR	F. Visser	-	-	-	-
		-	3,416	-	13,840
Councillor : Ward 1	G. Vos	47,327	81,072	-	306,554
Councillor : Ward 2	T.E. Tiroyame	1,125	20,337	-	7,197
Councillor : Ward 3	V.L. Gorrah	315	4,841	-	354
Councillor : Ward 4	I. Obuseng	-	3,973	-	13,639
Councillor : Ward 5	P. Selonyane	495	5,310	-	960
Section 57 Personnel:					
Municipal Manager	T.C. Itumeleng	-	10,415	36,000	25,551
Chief Financial officer	N.M. Grond	-	3,917	30,000	30,301
Director Corporate Services	L. Seetile	-	-	-	-
Director Infrastructure	K.N. Ositang	8,324	8,708	-	1,275
Director Community Services	R.C. Apools-Sebogodi	35,096	22,137	-	66,648
Director Strategic Services	K.P. Leserwane	-	-	-	-
		101,726	239,554	66,000	667,478

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in notes 31 and 32 respectively, to the Annual Financial Statements.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
53. Contingencies		
Contingent liabilities		
Mr Moolman	15,000	15,000
Mr Ben Moses	12,000	12,000
Transnet Freight Rail	20,000	20,000
	47,000	47,000

The municipality is involved in litigation with Mr Moolman. Matter was defended. Notices of exception was filed. There is an instruction to pend matter as the Plaintiff did not reply for trial date. Estimate cost is R15 000.

Municipality is involved in a litigation against Mr Ben Moses. Matter was defended and all pleadings were exchanged. Matter was ready for trial. Settlement agreement was reached. Municipality to pay Plaintiff R3700 plus costs on a Party/party scale. Payment still outstanding. Estimated cost is R12 000.

The Municipality is involved in a litigation claim against Transnet Freight Rail. Matter was defended. Pleadings were filed by both parties. Plaintiff arranged trial date. Settlement negotiations were followed. Gamagara municipality to pay 70% of claim amount and 70% of Plaintiff's taxed cost. Payment is still outstanding. The estimate amount is R20 000.

Department of labour	500,000	-
Dorfling	894,000	-
SAMWU obo Dorfling	200,000	-
Lakhutshona Housing	200,000	-
	1,794,000	-

The Department of Labour is in process with an application for a declaratory order that the Municipality is in non-compliance of relevant legislation. The Department of Labour seeks

The Dorfling matter is for an application to compel the municipality to conclude a deed of sale for an immovable property.

The SAMWU ob Dorfling is an application for contempt of court against the municipality and municipal manager.

In the Lakhutshona housing matter there is a possible contingent liability is the valuers do not comply with their duties.

Contrary to section 20(1) of the Environmental Conservation Act (Act 50 of 2003) the municipality's landfill sites have not been issued with a permit by the Department of Economic and Environmental Affairs. In terms of section 29(4), for non-compliance of section 20(1) the municipality may incur a fine to the amount of R 10 million per contravention.

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

54. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

55. Going concern

Management considered the following matters relating to the Going Concern:

- During 2017 the Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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55. Going concern (continued)

- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

56. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Statement of Financial Performance

Revenue:

Service charges – the growth was lower than anticipated and this gave rise to a lower than expected service charge revenue.

Rental of facilities and equipment – facility rentals were higher than expected in the current economic environment.

Interest received – lower than expected cash deposits held during the year.

Other income – a receipt was anticipated from the mines and budgeted for against other income, this transaction never realised.

Property rates – the budget adjustment was reflecting the property rates impairment that was separately disclosed in the AFS.

Government Grant and Subsidies – the unspent grants were higher than anticipated and this lead to a lower revenue recognition.

Public contributions and donations – the contribution relates to the asset exchange transaction entered into by the municipality.

Fines, Penalties and Forfeits – lower than expected fines and penalties billed.

Expenditure:

Remuneration of councilors – less than expected amount of councilors retained in the current year.

Depreciation and amortization – depreciation was higher than expected.

Impairment loss – the impairment was budgeted under the revenue account and we also had a higher than expected impairment of assets.

Finance costs – increase in landfill site finance cost as well as significant increase in interest on creditors.

Bulk purchases – higher Eskom rates/usage than estimated.

Contracted services – lower than expected external service providers.

Transfers and Subsidies – free basic service not budgeted for in full.

Loss on disposal of assets and liabilities – the carrying value of assets were higher than expected as well as a lower than expected sale price for these assets.

Fair value adjustments – decrease in investment property value due to the lower economic growth.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand		2017	2016	
57. Prior period errors				
Statement of financial position	Note(s)	Prior Year 2015/16	Adjustment	Restated Prior Year 2015/16
Receivables from exchange transactions	4	1,461,784	-	1,461,784
Receivables from non-exchange transactions	5	4,058,242	-	4,058,242
VAT receivable	6	2,844,249	(1,172,644)	1,671,605
Cash and cash equivalents	7	13,296,414	620,246	13,916,660
Operating lease asset	8	95,247	(20,916)	74,331
Property, plant and equipment	9	899,355,045	46,817,658	946,172,703
Investment property	11	218,401,747	(4,933,513)	213,468,234
Current provisions	14	1,466,472	27,928,982	29,395,454
Payables from exchange transactions	15	93,875,564	(6,458,767)	87,416,797
Payables from non-exchange transactions	16	45,341,694	5,856,312	51,198,006
Employee benefit obligation	20	43,591,385	1,722,203	45,313,588
Non-current provisions	14	2,847,949	(2,847,949)	-
Accumulated surplus	21	901,168,095	15,119,416	916,287,511
Statement of Financial Performance				
Service charges	28	221,315,256	(2,752,209)	218,563,047
Rental of facilities and equipment	29	349,151	944,691	1,293,842
Interest received	30	265,942	22	265,964
Property rates	22	415,583,674	(5,590)	415,578,084
Employee related costs	32	(115,579,365)	(5,385,276)	(120,964,641)
Depreciation and amortisation	34	(58,959,838)	(3,353,612)	(62,313,450)
Impairment loss	35	(403,645,252)	1,382,494	(402,262,758)
Finance costs	37	(3,922,833)	(957,621)	(4,880,454)
Repairs and maintenance	36	(13,533,549)	(44,900)	(13,578,449)
Bulk purchases	38	(109,898,617)	10,316,236	(99,582,381)
Contracted services	39	(14,079,642)	(4,106,650)	(18,186,292)
General Expenses	41	(58,677,175)	508,741	(58,168,434)
Fair value adjustments	58	24,091,990	(483,542)	23,608,448

Corrections were made to prior year figures, details of the corrections are described below:

Note 4. Receivables from exchange transactions

Exchange receivables were adjusted in the prior year due to account corrections on certain debtors, this adjustment had a zero effect on the exchange receivables due to the fact that they were carried at zero value and we therefore needed to decrease the impairment loss to account for these changes.

Note 5. Receivables from non-exchange transactions

Non-exchange receivables were adjusted in the prior year due to account corrections on certain debtors, this adjustment had a zero effect on the non-exchange receivables as they were carried at zero value and we therefore needed to decrease the impairment loss to account for these changes.

Note 6. VAT receivable

The value added tax account balance was adjusted to account for the reversal of expenditures in the previous years. Management identified transactions that were loaded onto the bank account and not released, these transactions were not cancelled on Sebata and when they were loaded for the second time it reflected as duplicate expenditure.

Note 7. Cash and cash equivalents

Cash and cash equivalent were restated in order to account for bank account 62013045861 - FNB Olifantshoek as well as correcting the petty cash float for Welgelee that burned down a number of year ago.

Note 8. Operating lease asset

The operating lease straight lining balance was adjusted to remove the effect of the straight lining that was performed on leases that increase with CPI, these leases should not have been straight lined.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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57. Prior period errors (continued)

Note 9. Property, plant and equipment

Property, plant and equipment was adjusted to correct the previous years depreciation on the finance lease assets, management picked up a mistake in the calculation when the current years calculated carrying value did not agree to the actual amount disclosed in the previous financial year.

Note 14. Provisions

The Non-current provision was adjusted by moving the landfill site provision to a current provision due to the statutory regulations surrounding this provision. Section 24G (1) of the NEMA stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability as at 30 June 2017. The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2017. This is also the reason for the increase in the provision for landfill site.

The current provision was adjusted for the long service awards due to the change in earning definition that took effect in the previous financial year.

Note 15. Payables from exchange transactions

Payables from exchange transactions were adjusted to account for the reversal of expenditures in the previous years. Management identified transactions that were loaded onto the bank account and not released, these transactions were not cancelled on Sebata and when they were loaded for the second time it reflected as duplicate expenditure. In addition to this, payables were also corrected to account for invoices reflected on supplier statements that were not accounted for in the period that expenditures were incurred.

Note 16. Payables from non-exchange transactions

Payables from non-exchange transactions were adjusted due to the change in earning definition that took effect in the previous financial year and affected the leave provision balance. The unallocated transaction balance was also adjusted by work performed in the current year in allocating these transactions to their various accounts.

Note 20. Employee benefit obligation

Employee benefit obligation was adjusted for the long service awards due to the change in earning definition that took effect in the previous financial year.

Note 28. Service charges

The adjustments made to service charges relate to certain debtors account correction required to be made in the prior year, this includes allocation of payments from the unallocated deposits vote.

Note 29. Rental of facilities and equipment

Exchange receivables were adjusted in the prior year due to account corrections on certain debtors, this adjustment had an increase effect on rental of facilities and equipment. The operating lease straight lining balance was adjusted to remove the effect of the straight lining that was performed on leases that increase with CPI, this also impacted the adjustment made to the rental of facilities and equipment.

Note 30. Interest received

Interest received was restated in order to account for the interest received on bank account 62013045861 - FNB Olifantshoek.

Gamagara Local Municipality

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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57. Prior period errors (continued)

Note 22. Property rates

The adjustments made to property rates relate to certain debtors account correction required to be made in the prior year.

Note 32. Employee related costs

Employee related costs were adjusted due to the long service awards and leave provision being provided for on the new earning definition that took effect in the previous financial year.

Note 34. Depreciation and amortisation

Finance lease assets depreciation was adjusted, management picked up a mistake in the calculation when the current years calculated carrying value did not agree to the actual amount disclosed in the previous financial year.

Note 35. Impairment loss

Impairment was adjusted in the prior year due to account corrections on certain debtors, this adjustment had a zero effect on the exchange receivables as they were carried at zero value and we therefore needed to decrease the impairment loss to account for these changes.

Note 37. Finance costs

Management identified transactions that were loaded onto the bank account and not released, these transactions were not cancelled on Sebata and when they were loaded for the second time it reflected as duplicate expenditure that was not cleared. In addition to this, the landfill interest was also adjusted to account for the provision.

Note 38. Bulk purchases

Management identified transactions that were loaded onto the bank account and not released, these transactions were not cancelled on Sebata and when they were loaded for the second time it reflected as duplicate expenditure that was not cleared.

Note 41. General Expenses

Management identified transactions that were on supplier statement but not accounted for on the General Ledger, these transactions were corrected by adjusting the expenditure for the year that the transactions were incurred in.

58. Fair value adjustments

Investment property (Fair value model)	(3,598,114)	23,608,448
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Appendix A

June 2017

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at Thursday, June 30, 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Friday, June 30, 2017 Rand
DBSA	61000317	Expired	-	-	-
DBSA	61000367	30/06/2021	12,815,912	949,360	1,429,134
DBSA	61006899	30/06/2021	7,124,354	583,259	811,266
DBSA	61006937	30/06/2021	8,765,408	826,931	1,029,918
		28,705,674	2,359,550	3,270,318	27,794,906

Development Bank of South Africa

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
Equitable Share	National Treasury	10,563,000	1,802,000	12,987,000	-	(10,563,000)	(1,802,000)	(12,987,000)	-	N/A	Yes	N/A
FMG	National Treasury	1,625,000	-	-	-	(302,374)	(381,874)	(304,326)	(636,427)	N/A	Yes	N/A
MIG	National Treasury	5,561,000	7,410,000	8,598,000	-	(2,101,980)	(2,000,407)	(1,518,141)	(8,893,826)	N/A	Yes	N/A
MSIG	National Treasury	-	-	-	-	-	-	-	-	N/A	Yes	N/A
INEP	National Treasury	-	20,000,000	2,000,000	-	(1,862,386)	(778,877)	-	(512,202)	N/A	Yes	N/A
EPWP	EPWP	250,000	450,000	300,000	-	(426,848)	(374,770)	(198,383)	-	N/A	Yes	N/A
Library	Province	-	782,500	1,316,500	-	(911,388)	(653,612)	-	-	N/A	Yes	N/A
Housing	Province	-	-	-	-	-	-	-	-	N/A	Yes	N/A
COGHSTA	Province	-	-	-	-	-	-	-	-	N/A	Yes	N/A
John Toalo Gaetsewe	District Municipality	377,957	-	-	-	(377,957)	-	-	-	N/A	Yes	N/A
		18,376,957	30,444,500	25,201,500	-	(16,545,933)	(5,991,540)	(15,007,850)	(10,042,455)			